

AR17

1970

annual report



54

**NORTHWESTERN
UTILITIES,
LIMITED**



NORTHWESTERN UTILITIES, LIMITED

10040 - 104 STREET, EDMONTON, ALBERTA, CANADA

BOARD OF DIRECTORS

D. B. COLLIER, Edmonton
Vice-President and General Manager, Northwestern Utilities, Limited

R. N. DALBY, Edmonton
Senior Vice-President, Northwestern Utilities, Limited

F. T. JENNER, Edmonton
Corporate Director

E. W. KING, Edmonton
President, Northwestern Utilities, Limited

K. L. MacFADYEN, Calgary
Senior Vice-President - Finance, Northwestern Utilities, Limited

J. E. MAYBIN, Edmonton
Chairman and Chief Executive Officer, Northwestern Utilities, Limited

A. R. McBAIN, Edmonton
President, McBain Camera Specialty Limited

W. S. McGREGOR, Edmonton
President, Numac Oil & Gas Limited

J. L. McINTYRE, Edmonton
President, John L. McIntyre Insurance Limited

R. M. PARSONS, M.D., Red Deer
Parsons Clinic

J. M. SEABROOK, Salem, New Jersey
Chairman and President, International Utilities Corporation

D. B. SMITH, Calgary
Senior Vice-President, Northwestern Utilities, Limited

M. E. STEWART, Media, Pa.
Senior Vice-President - Utilities, International Utilities Corporation

D. K. YORATH, Edmonton
Chairman of the Executive Committee, Vice-President, International Utilities Corporation

HONORARY DIRECTORS

H. R. MILNER, C.C. Q.C., Edmonton
Honorary Chairman of the Board, Northwestern Utilities, Limited

O. C. McINTYRE, Edmonton
Corporate Director

A. G. STEWART, Edmonton
Senior Partner, Stewart, Weir, Stewart & Watson

OFFICERS

J. E. MAYBIN, Chairman and Chief Executive Officer

E. W. KING, President

K. L. MacFADYEN, Senior Vice-President - Finance

R. N. DALBY, Senior Vice-President

D. B. SMITH, Senior Vice-President

D. B. COLLIER, Vice-President and General Manager

B. W. SNYDER, Vice-President - Engineering and Rate Administration

J. H. PLETCHER, Vice-President - Gas Supply

E. G. RINGROSE, Vice-President - Administration

A. M. ANDERSON, Controller

G. Y. SOMMERVILLE, Secretary-Treasurer

J. E. ROBERTS, Assistant Secretary

B. T. BANKS, Assistant Treasurer

OUR COVER: Diversion from the usual on-the-ground work for gas men is shown here as they work high above the swift waters of the North Saskatchewan River in Edmonton. Here expansion joints on a 16-inch main, suspended on the Low Level Bridge, are re-packed under the company's maintenance program.



Edmonton's \$25 million Southgate shopping centre was completed early in 1970.

HIGHLIGHTS IN REVIEW

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1960</u>
Customers at Year End	139,946	135,299	130,047	125,124	121,218	93,679
Natural Gas Sales (thousands of cubic feet)	107,697,555	96,333,941	83,949,345	86,279,958	79,628,406	54,192,715
Revenue	\$32,955,913	\$30,429,899	\$27,220,156	\$27,161,182	\$26,065,641	\$18,186,910
Net Income						
From Operations . .	\$4,182,235	\$4,152,339	\$3,449,468	\$3,247,437	\$3,588,652	\$2,899,129
Total, including gain on sale of land and investments	\$4,194,526	\$4,664,037	\$3,648,192	\$3,261,915	\$3,588,652	\$2,899,129
Earnings Per Common Share						
From Operations . . .	\$2.21	\$2.19	\$1.78	\$1.66	\$1.86	\$1.46
Total, including gain on sale of land and investments	\$2.22	\$2.49	\$1.90	\$1.67	\$1.86	\$1.46
Gross Additions to Plant - Annual . . .	\$6,058,513	\$6,241,168	\$4,509,789	\$4,267,731	\$3,272,209	\$3,235,738
Gross Plant	\$108,148,824	\$102,474,796	\$96,858,453	\$93,093,629	\$89,273,626	\$66,415,769
Miles of Pipeline . .	4,396	4,177	3,812	3,303	3,044	2,384
Maximum Daily Demand	553,699	493,269	495,191	426,647	395,486	266,952
(thousands of cubic feet)						
Communities Served	114	113	109	103	92	71
Population Served .	599,000	575,000	554,000	530,000	512,000	390,000

TO THE SHAREHOLDERS

Net earnings from operations during 1970 amounted to \$4,182,000 as compared to \$4,152,000 for the previous year. A gain on sale of land and investments added \$12,000 to bring the total net earnings for the year to \$4,194,000. This compares with the total earnings, including a \$512,000 gain on sale of investments, of \$4,664,000 in 1969. Earnings for 1969 have been restated to reflect the final settlement of 1969 income taxes.

Revenue from natural gas sales in 1970 was 8.3 per cent higher than 1969, increasing by \$2,526,000 to \$32,956,000. This increase was for the most part due to record increases experienced in the industrial sales sector where sales volume increased 20 per cent. Temperatures for the year were such that the heating requirements for the typical space heating customers were slightly less than normal but within 1 per cent of the long term average.

Operating expenses, including depreciation and property and income taxes, increased by 8 per cent to \$26,906,000. The gas supply for the company is obtained partly from the company's own production and partly by purchases from other companies. In 1970, the total amount spent on the portion purchased from other companies was \$10,407,000, representing an increase of \$636,000 over 1969. This increase plus the combined effect of expanded operations, higher wages, material costs and taxes, resulted in the total increase in expenses of \$2,002,000 over 1969.

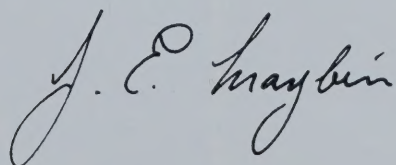
The \$6,000,000 construction program in 1970 was financed from proceeds remaining from an issue of first mortgage bonds sold in December, 1969, and from funds generated from the operations during the year. No further financing was undertaken during 1970.

During 1970, the company, together with other gas and electric utility companies, made strong representations concerning certain sections of the White Paper on Tax Reform dealing with dividend tax credit treatment of utility shareholders. Both the House of Commons and Senate committees endorsed the stand taken by the utilities and gave recommendations which were favourable so far as continuation of a dividend tax credit for utility shareholders was concerned, with the Commons committee recommending that the Minister of Finance seek an appropriate arrangement with the provincial governments to enable such a credit to continue. Legislation which will replace or revise the present tax laws is expected during the current session of Parliament.

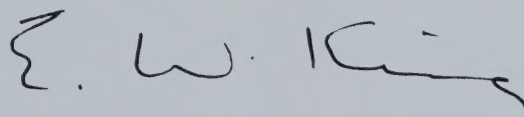
In 1970 J. C. Dale resigned as Vice-Chairman and Director of Northwestern Utilities, Limited and accepted an assignment with a consulting firm to take part in the co-ordination and administration of the electrical industry in East Pakistan. On behalf of the board we wish to express our sincere appreciation to Mr. Dale for the contributions he has made during his 12 years service as a director of this company.

The directors wish to express their appreciation to a loyal, dedicated and competent staff on whose skill and ability we depend to carry out our company's objectives of safe and reliable service to the public.

By order of the board of directors.



J. E. Maybin, Chairman



E. W. King, President

March 2, 1971.

THE YEAR IN REVIEW

GAS SALES

Natural gas sales increased by 11.4 billion cubic feet to 107.7 billion cubic feet in 1970, an increase of 12 per cent. The major reasons for the increase were an additional 8.4 billion cubic feet in sales to industrial customers and 2.8 billion cubic feet to commercial customers.

Temperature has a considerable effect on natural gas sales to residential and commercial customers, as these sales are largely heating sales. The average temperature for 1970 was 0.3 degrees warmer than the normal of 36.8 degrees, and 1.6 degrees warmer than 1969. After eliminating the effect of weather, the increase in basic market growth from 1969 appears to have been in the order of 13 per cent.

The following table shows sales by class of customer in 1970:

	Billion Cubic Feet	Per Cent of Total
Residential . .	26.1	24.2
Commercial . .	32.4	30.1
Industrial . .	49.2	45.7
	107.7	100.0%

During the year 4,647 new customers were added to the system, bringing the total number served at year-end to 139,946. The company continued its policy of extending service to new communities, adding the village of Loughheed to its system. Northwestern now serves 114 communities in Central Alberta.

Industrial sales continued to grow at a record pace and 1970 volumes were 20 per cent greater than those of 1969. This continuing dramatic increase in industrial sales (from 1960 to 1970 industrial sales increased 2.3 times) is due both to influx of new industries and rising demands of existing industries.

Sales to the company's largest customer, Edmonton Power, totalled 24.1 billion cubic feet, an increase of 3.5 billion cubic feet. Peak day sales to the two power plants totalled 103.6 million cubic feet.

The company's program of extending gas service to rural customers continued during the year with 416 installations being made. Farms and rural subdivision installations now total 4,374 (3,000 in the past five years). Several areas have been surveyed for future development involving a potential of 1,000 customers.

The village of Loughheed was the only community added to our system during the year. It is in the area operated from the company's Provost agency. With the continued addition of both urban and rural customers the number of customers served by the agencies outside of Edmonton has grown to 38,560.

A peak day delivery record of 553 million cubic feet was set on December 4, 1970. The previous high was 531 million cubic feet set on January 15, 1970.

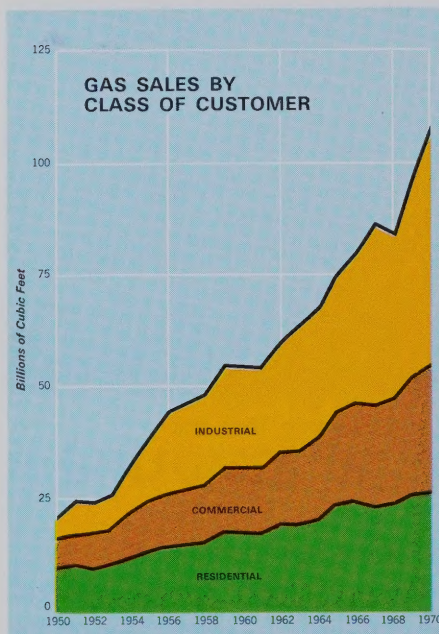
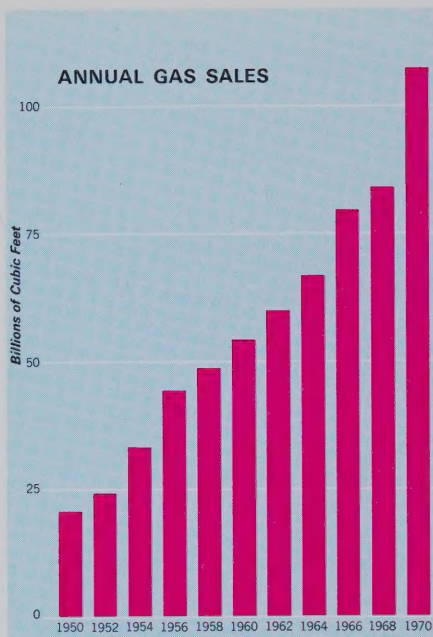
MARKETING

Growth within the territory served by the company continued in 1970. Population of the company's service area reached 599,000, a 4 per cent increase over the previous year. Population of the Edmonton metropolitan area is now 460,350, an increase of 17,200 over 1969. Red Deer, the second largest city served by the company, now has a population of 26,900.

Building permits in the City of Edmonton totalled \$127,000,000, a decrease of \$42,000,000 from the record high established in 1969. Residential permits, including apartments, were down \$17,000,000 from the \$74,000,000 of the previous year. This is the first indication of a slow down in apartment building since 1961. Since that time 30,000 apartment dwelling units have been constructed.

Edmonton is subject to the selective restraints on commercial construction imposed by the federal government's taxation measures, restraints which are one of the factors inhibiting growth in the area.

In Edmonton residential construction appears also to have been handicapped by a shortage of serviced lots and only 1,775 installations were made, some 40 per cent below normal. On the other hand, there was some expansion of activity in the satellite towns bordering the city. More than 1,400 service installations were made in Sherwood Park, St. Albert and Spruce Grove, up 300 from 1969. Plans for these towns include further land development projects at Spruce Grove. In addition, two major land developments bordering Edmonton are moving ahead. On the south in the Mill Woods area, the development covers 12.5 square miles, while on the north a further development adds



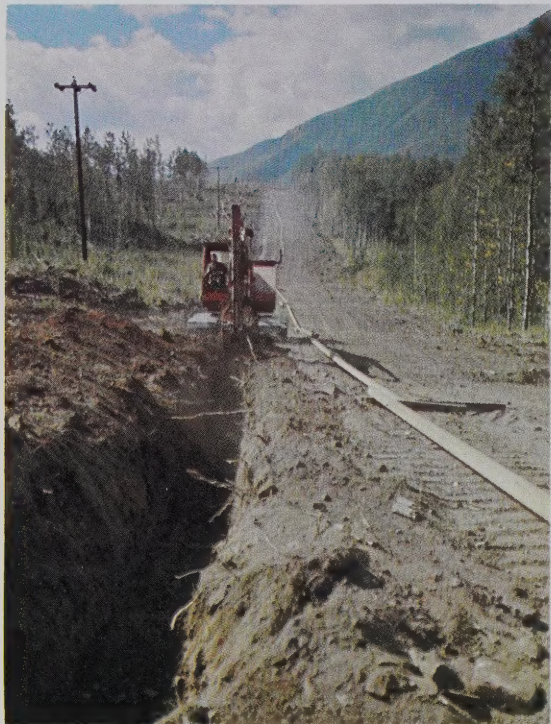
A new apartment and an unusual swimming pool typify present day construction in Edmonton.



Typical of the continued growth in downtown Edmonton is construction of these two new office buildings.



Line is built to carry natural gas to the utility company serving the town of Grande Cache.



Five miles of 20-inch transmission line were installed to meet the growing demands for gas in the industrial area east of Edmonton.



At a new \$9 million railway yard in Edmonton natural gas is installed for heating rail switches and tracks in winter.



10.2 square miles. Together they will give Edmonton a total area of 111.83 square miles.

Construction plans for a new university, the Athabasca University, to be located at St. Albert, three miles northwest of the city, were revealed in 1970. This location was chosen to help meet the demand for university facilities in the Edmonton region. The new university will receive 70 per cent of its enrolment from Edmonton and reduce the overflow at the University of Alberta as it reaches its enrolment capacity of 25,000 by 1973.

Athabasca University will be the province's fourth university. It joins a host of other educational facilities in Northwestern's service area, including Edmonton's Northern Alberta Institute of Technology, Vermilion School of Agriculture, Camrose Lutheran College and the Red Deer Community College. The University of Alberta itself has announced plans to spend a further \$149,000,000 by 1977 on construction, which will include 20 new buildings and renovations to existing buildings.

The construction of several office and high rise buildings added to Edmonton's already impressive skyline. The 24-story Imperial Oil building, 10-story Canada Trust and 20-story Alberta Government Telephones toll building, were completed in 1970 as were two high rise apartments, the 18-story Crescent Place and the 20-story Lord Byron Place; and the 16-story Hyde Park condominium.

The \$18,000,000, 35-story, Alberta Government Telephones head office and administration building is slated for completion in July, 1971. Its status as Edmonton's tallest building will be short-lived as the circular 45-story Edmonton House office-apartment building complex on the side of Bellamy Hill will be completed in early 1972.

Continued expansion of retail trade was marked by the completion of Edmonton's seventh enclosed shopping mall. The \$25,000,000 Southgate Shopping Centre completed in early 1970 is being followed by the \$14,000,000 Londonderry Mall in north Edmonton which is now under construction, with completion planned for 1972.

Industrial expansion in Northwestern's territory over the past 10 years has been outstanding, as evi-

denced by the fact that 219 industrial customers now consume the same amount of natural gas as 137,000 residential and commercial customers. The growth has not been confined to the Edmonton area, but includes areas around Rocky Mountain House, Edson, Hinton, Fort Saskatchewan, Red Deer and other smaller communities in the areas where oil and gas development is taking place.

The McIntyre Porcupine mine at Grande Cache, 175 miles northwest of Edmonton, started delivery in April on its 15-year, 30 million ton coal export program to Japan worth \$420,000,000. Northwestern is supplying natural gas to the plant for drying the coal following washing to remove the impurities. Initial annual sales are forecast at 1.6 billion cubic feet.

Gulf Oil started construction of a \$75,000,000 expansion at its refinery on Edmonton's eastern outskirts. The 80,000 barrel per day plant, to go on stream in June, 1971, will produce mainly light oils, including gasoline, diesel and heating oils and will be the largest refinery west of Sarnia, Ontario.

Edmonton's second generating station, located at Clover Bar, came on line in 1970. The \$16,000,000 plant utilizes natural gas as a prime energy source. In addition, it is the first time in Canada that a specially designed anti-pollution device has

been used to reduce the natural gas flame temperature and polluting nitrogen oxide formations.

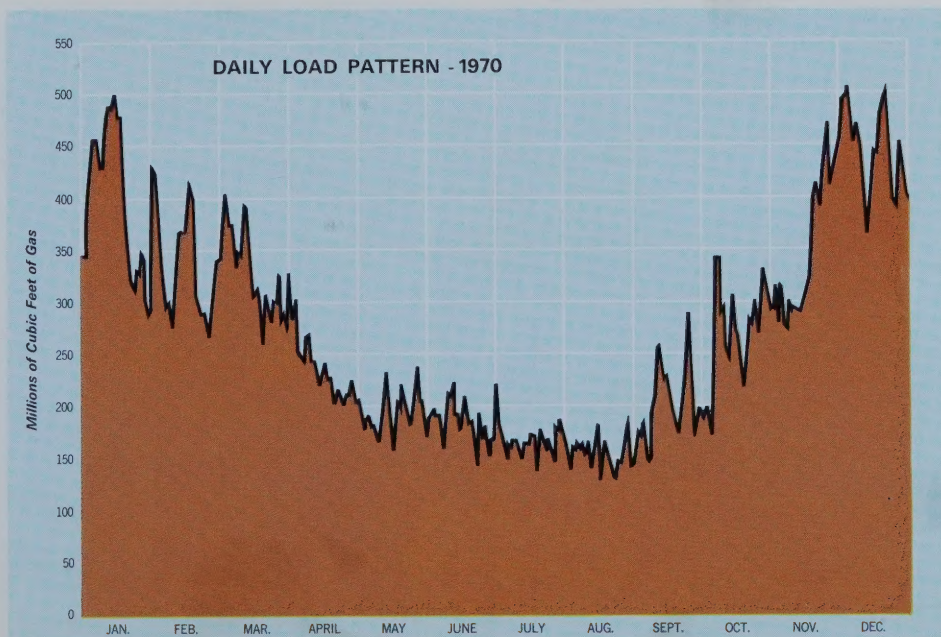
Oil, gas and mineral exploration and development programs underway in Canada's northland are creating increasing demands on the facilities of existing Edmonton manufacturers and are attracting many new firms. A small ship building industry has been developed to meet the needs of the north country for barges to transport well and seismic equipment. Edmonton is the "Gateway to the North" and for this reason, manufacturers of drilling equipment, pipeline equipment, special design aircraft, and snow melting equipment for producing water, have all experienced additional growth.

The continuing search in the north for oil, gas and minerals, and the growing tourist industry stimulated by the Yellowhead Pass all promise to assure the continuing prosperity of Edmonton.

GAS SUPPLY

The marketable gas reserves in fields connected to Northwestern Utilities' system were estimated to be 3,541 billion cubic feet as at December 31, 1970.

The main sources of gas supply in Northwestern's system were the gas processing plants in oil and gas fields and these supplied 60 per cent of the total market requirements.



REVIEW

CONTINUED

The company obtained 36 per cent of its annual requirements from the dry gas fields, Viking-Kinsella, Beaverhill Lake, Fort Saskatchewan, Fairydell - Bon Accord and other minor sources. The gas from these fields, in which the company owns major interests, was used primarily to meet the winter season peak loads. On the peak day in December, these fields were called on to supply 50 per cent of the total system demand.

A relatively minor amount, equivalent to 3 per cent of the company's total gas supply was purchased from TransCanada PipeLines Limited and local pipeline companies. This gas was used to supply communities and rural customers which cannot be reached by the company's own pipeline network and to meet short-term winter peaking requirements in various parts of the system.

Two deep pool tests were commenced in 1970 in the Viking-Kinsella field to explore the deeper zones underlying the Viking producing zone. The one which was finished in 1970 proved unproductive in the deeper horizons but was completed as a Viking gas well. The other, which had encouraging tests in the deeper zones, will be evaluated during 1971.

SERVICE TO OUR CUSTOMERS

During 1970 the customer service group completed 80,850 service calls and 20,000 premises surveys, when the company's expert servicemen check all gas installations in each household. In addition 465 school inspections were made and 383 operational tests completed on large new equipment.

Utilization engineers added many industrial and special commercial applications to our system through their design service. These covered a wide variety, such as gun blueing, hog singeing, swimming pool heating, make-up air heating, permanent press oven, galvanizing tank and barbecues. Among the special studies was an investigation of our two companies' operations with respect to effects upon our environment.

The company's home economists remained high in the popularity poll as they continued to answer inquiries covering a variety of subjects. Their "Bride's Course" and "Food for Entertaining Course" proved to be very popular. Over 70 demonstra-

tions including the Wild Game Show and Barbecue Show attracted over 6,000 people.

A radio program "problem corner" is widely accepted by homemakers throughout our service area.

NEW CONSTRUCTION

During the year capital expenditures were \$6,000,000 of which approximately \$2,000,000 was spent on extensions and facilities to connect new urban and rural customers. In the spring, construction of the 66-mile natural gas line serving the McIntyre Porcupine mine at Grande Cache was completed. This line cost \$2,600,000, of which approximately \$1,500,000 was spent in 1970. The eight-inch line was built through difficult, hilly, bush country.

Among the other major pipeline projects were five miles of 20 inch and two and a half miles of smaller line, to improve service in East Edmonton, particularly to the new Gulf Oil refinery and the City of Edmonton Clover Bar plant; replacement of a short section of 12-inch Swan Hills line, exposed by spring floods; and construction of 9.5 miles of line to supply gas to the utility company serving the town of Grande Cache. Main extensions for new urban and rural customers totalled 141 miles in 1970.

The company's pipeline system in Central Alberta totalled 4,396 miles

at the end of 1970, an increase of 220 miles over 1969. The system consists of 239 miles of field lines, 1,428 miles of transmission lines and 2,729 miles of distribution mains.

Capital expenditures in 1971 are estimated at \$5,600,000. Approximately \$2,000,000 will be spent on providing extensions of pipelines, and new facilities to connect new urban and rural customers who are expected to number about 4,200. To reinforce its gas supply facilities the company in 1971 plans to spend up to approximately \$700,000 upgrading the major transmission lines serving Edmonton.

OTHER OPERATING HIGHLIGHTS

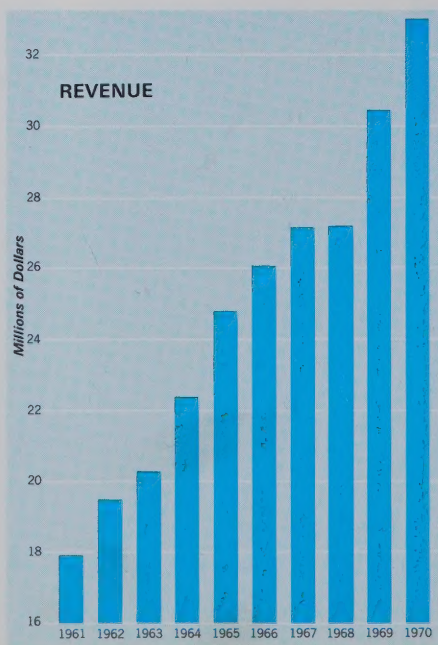
While in another part of the continent the world land speed record was shattered using a natural gas powered car, in Alberta our company and its associate, Canadian Western, introduced a new concept of natural gas utilization, namely the "Clean Air" fleet by converting a number of vehicles to the dual-fuel system. With this system the driver may choose either natural gas or gasoline.

After completion of some initial tests, Northwestern Utilities expects to convert part of its city fleet to this system in the interests of reducing vehicular air pollution.

In cooperation with the City of Edmonton and Alberta Government Telephones, the company is working on the development of an automatic reading system for gas, electric and water meters. Depending on the development of equipment it is proposed that a computer would obtain meter readings by telephone and automatically produce the consumer bill. A pilot study using some 30 homes will test the project this spring.

STAFF

At December 31, 1970 there were 650 employees working in permanent positions. During the course of the year there were 44 job postings advertised within the company, of which 13 were filled with seasonal employees. The year 1970 was the final year of a two-year labor contract which must be replaced during 1971 by a new agreement with the Natural Gas Employees' Benefit Association.

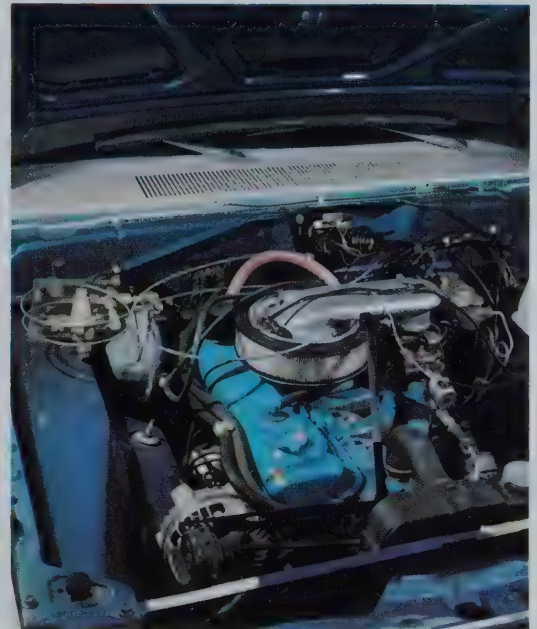


Unveiled in November was the first fleet car converted to the dual-fuel system powered by natural gas, or at will, gasoline, as the company joined the fight against vehicular air pollution.



Use of natural gas for driving an automobile is not new. Away back in 1942 an Edmonton employee adapted natural gas to his car. A 50 cubic foot bag gave eight miles driving.

Under the hood a variable mixer replaces the standard air filter.



Edmonton Power's second generating station, a \$16-million plant, started production in 1970. It uses natural gas from Northwestern Utilities as its prime energy source.



Two-story addition to the Edmonton Service Centre provides additional office space.



Special equipment joins plastic pipe in continued program of rural installations.



FINANCIAL STATEMENTS

NORTHWESTERN UTILITIES, LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Northwestern Utilities, Limited as of December 31, 1970, and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1970, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Edmonton, Alberta
January 28, 1971

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
Edmonton, Alberta — Calgary, Alberta
Toronto 1, Ontario — Montreal 1, Quebec

AUDITORS

Peat, Marwick, Mitchell & Co.
1002 Empire Building, Edmonton, Alberta

BALANCE SHEET • DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

NORTHWESTERN UTILITIES, LIMITED

ASSETS

	<u>1970</u>	<u>1969</u>
Fixed assets:		
Property, plant, leases, rights, gas wells and equipment subject to amortization and depreciation, at cost	\$108,148,824	\$102,474,796
Less accumulated amortization and depreciation (note 1)	<u>35,629,160</u>	<u>32,911,561</u>
Net fixed assets	72,519,664	69,563,235
Accounts receivable due beyond one year	596,577	586,596
Investments, not having market quotations, at cost	1,186	356,286
Current assets:		
Cash	124,233	370,715
Short-term investments, at cost	400,000	4,200,000
Marketable securities, at cost (quoted market value \$393,425; 1969 — \$701,398)	522,210	522,210
Accounts receivable	3,758,660	3,106,526
Due from parent and affiliated companies	2,506	1,157
Government of Canada special refundable tax	—	51,483
Materials and supplies, at average cost	953,638	947,260
Prepaid expenses	<u>81,751</u>	<u>101,211</u>
Total current assets	5,842,998	9,300,562
Unamortized debt discount and expense	801,830	849,405

On behalf of the Board:

J. E. MAYBIN, Director

E. W. KING, Director

\$ 79,762,255

\$ 80,656,084

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1970</u>	<u>1969</u>
Shareholders' equity:		
4% cumulative preference shares, par value		
\$100 per share (note 2):		
Authorized — 120,000 shares		
Issued — 105,000 shares	\$ 10,500,000	\$ 10,500,000
Common shares, without par value:		
Authorized — 3,000,000 shares		
Issued — 1,700,000 shares	4,250,000	4,250,000
Retained earnings (note 3)	21,419,500	20,279,974
Total shareholders' equity	<u>36,169,500</u>	<u>35,029,974</u>
Long-term debt (excluding current maturities)		
(notes 3 and 4)	29,731,000	33,031,750
Current liabilities:		
Accounts payable and accrued charges	2,259,816	2,397,304
Accrued interest on long-term debt	399,754	388,373
Long-term debt — current maturities (note 3)	3,260,250	1,624,250
Due to parent and affiliated companies	45,861	27,969
Dividend payable	1,870,000	1,870,000
Income taxes (notes 5 and 6)	56,433	739,738
Other taxes	1,630,007	1,565,028
Total current liabilities	<u>9,522,121</u>	<u>8,612,662</u>
Deferred income taxes (note 5)	984,405	990,838
Other liabilities:		
Consumer deposits	1,098,522	1,042,980
Miscellaneous	286,072	282,750
Total other liabilities	<u>1,384,594</u>	<u>1,325,730</u>
Contributions for extensions to plant	1,970,635	1,665,130
	<u>\$ 79,762,255</u>	<u>\$ 80,656,084</u>

STATEMENT OF EARNINGS · DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

NORTHWESTERN UTILITIES, LIMITED

	<u>1970</u>	<u>1969</u>
Natural gas sales	\$32,955,913	\$30,429,899
Operating expenses:		
Natural gas purchased	10,407,425	9,771,457
Operating	7,521,544	6,724,579
Maintenance	1,313,955	1,226,155
Taxes—income (notes 5 and 6)	2,750,000	2,641,457
Taxes—other than income	2,261,786	2,093,251
Depreciation exclusive of \$223,494 included in operating and other accounts (1969—\$191,666)	2,650,808	2,446,348
	<u>26,905,518</u>	<u>24,903,247</u>
Net operating income	6,050,395	5,526,652
Other income		
Gain on purchase of long-term debt	79,204	38,939
Interest and dividends	256,780	143,835
Miscellaneous	33,749	42,746
	<u>369,733</u>	<u>225,520</u>
	6,420,128	5,752,172
Income deductions:		
Interest on long-term debt	2,188,238	1,489,989
Other interest	40	74,374
Debt discount and expense amortized	47,568	33,423
Premium on bonds redeemed	2,047	2,047
	<u>2,237,893</u>	<u>1,599,833</u>
Net earnings from services and other income	4,182,235	4,152,339
Gain on sale of land and investments	12,291	511,698
Net earnings	<u>\$ 4,194,526</u>	<u>\$ 4,664,037</u>

See accompanying notes.

STATEMENT OF RETAINED EARNINGS · DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

NORTHWESTERN UTILITIES, LIMITED

	1970	1969
Balance at beginning of year as previously reported	\$19,927,883	\$19,167,389
Adjustment of prior years' income taxes (note 6)	352,091	200,548
Balance as restated	20,279,974	19,367,937
Add net earnings	4,194,526	4,664,037
	24,474,500	24,031,974
Deduct dividends:		
4% Cumulative preference shares	420,000	420,000
Common shares	2,635,000	3,332,000
	3,055,000	3,752,000
Balance at end of year	<u>\$21,419,500</u>	<u>\$20,279,974</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS · DECEMBER 31, 1970

(WITH COMPARATIVE FIGURES FOR 1969)

	1970	1969
Funds provided by:		
Operations:		
Net earnings	\$ 4,194,526	\$ 4,664,037
Add depreciation and other charges, less credits, not involving cash .	2,842,637	2,045,661
	7,037,163	6,709,698
Proceeds from disposal of fixed assets	95,412	43,882
Increase in non-current consumer deposits	55,542	59,542
Proceeds of 9¾% first mortgage sinking fund bonds, Series J, less expenses of issue	—	7,625,964
Proceeds of sale of investments	366,341	1,125,000
Increase in contributions for extensions to plant	305,505	483,057
Government of Canada special refundable tax	—	48,954
Total funds provided	7,859,963	16,096,097
Funds applied to:		
Payment of dividends	3,055,000	3,752,000
Additions to fixed assets	5,937,190	6,123,283
Reduction of long-term debt	3,221,546	1,741,841
Increase in accounts receivable due beyond one year	9,981	71,300
Other	3,269	103,297
Total funds applied	12,226,986	11,791,721
Increase (decrease) in working capital deficit	<u>\$ 4,367,023</u>	<u>\$ (4,304,376)</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS · DECEMBER 31, 1970

NORTHWESTERN UTILITIES, LIMITED

1. Depreciation and amortization:

Property, plant and equipment is being depreciated and amortized in accordance with Board orders of The Public Utilities Board for the Province of Alberta as follows:

General plant (exclusive of transportation and movable equipment) on a straight line basis at the effective rate of 2.475% per annum on the gross cost of the plant at the preceding December 31, less contributions for extensions to the plant at that date.

Natural gas and underground storage facilities at the rate of 1½% per annum on cost at the preceding December 31, plus an amount based on unit withdrawals.

Other plant at various rates based on estimated lives of the assets.

2. The 4% cumulative preference shares are redeemable at the option of the company on thirty days' notice at \$103 per share.

3. Long-term debt:

Long-term debt at December 31, 1970 is summarized as follows:

	Total Amount	Current Maturities
First mortgage sinking fund bonds:		
Series B—3½% due December 15, 1971	\$ 654,250	\$ 654,250
Series C—3½% due December 15, 1971	332,000	332,000
Series D—3½% due December 15, 1971	1,030,000	1,030,000
Series E—3½% due December 15, 1975	1,775,000	235,000
Series F—4¾% due January 15, 1979	2,038,500	211,500
Series G—5¾% due April 15, 1983	4,993,000	173,000
Series H—5¾% due March 1, 1988	9,766,500	286,500
Series I—6½% due May 1, 1992	4,610,000	130,000
Series J—9¾% due December 15, 1994	7,792,000	208,000
	<u>32,991,250</u>	<u>3,260,250</u>
Deduct current maturities	3,260,250	
Long-term debt less current maturities	<u>\$29,731,000</u>	

The long-term debt outstanding is stated after deducting \$12,000 Series G and \$28,500 Series H bonds which have been purchased and are held for future sinking fund payments.

The trust deed securing the first mortgage bonds imposes certain restrictions on the payment of dividends and management fees and upon the redemption or repayment of the company's preference and common shares. To December 31, 1970 all of the conditions of the trust deed and indentures had been met.

4. Instalments of long-term debt maturing in each of the calendar years 1971, 1972, 1973, 1974 and 1975 amount to \$3,260,250, \$1,284,500, \$1,284,500, \$1,284,500 and \$1,911,500, respectively, after deducting bonds which have been purchased as described in the preceding note.

5. In fixing rates, except for the matter referred to in the succeeding paragraph, the Public Utilities Board of the Province of Alberta permits the company to recover only taxes payable currently and accordingly, to the extent that capital cost allowances are claimed in excess of the depreciation recorded in the accounts, there has been a related reduction in the amount of income taxes otherwise payable.

The company is permitted, however, to record deferred tax credits in respect to the acquisition of natural gas rights for its utilities systems, but, at the specific request of the City of Edmonton it has agreed with effect from January 1, 1967 to amortize such deferred tax credits by credit to the annual provisions for income taxes over a 10 year period.

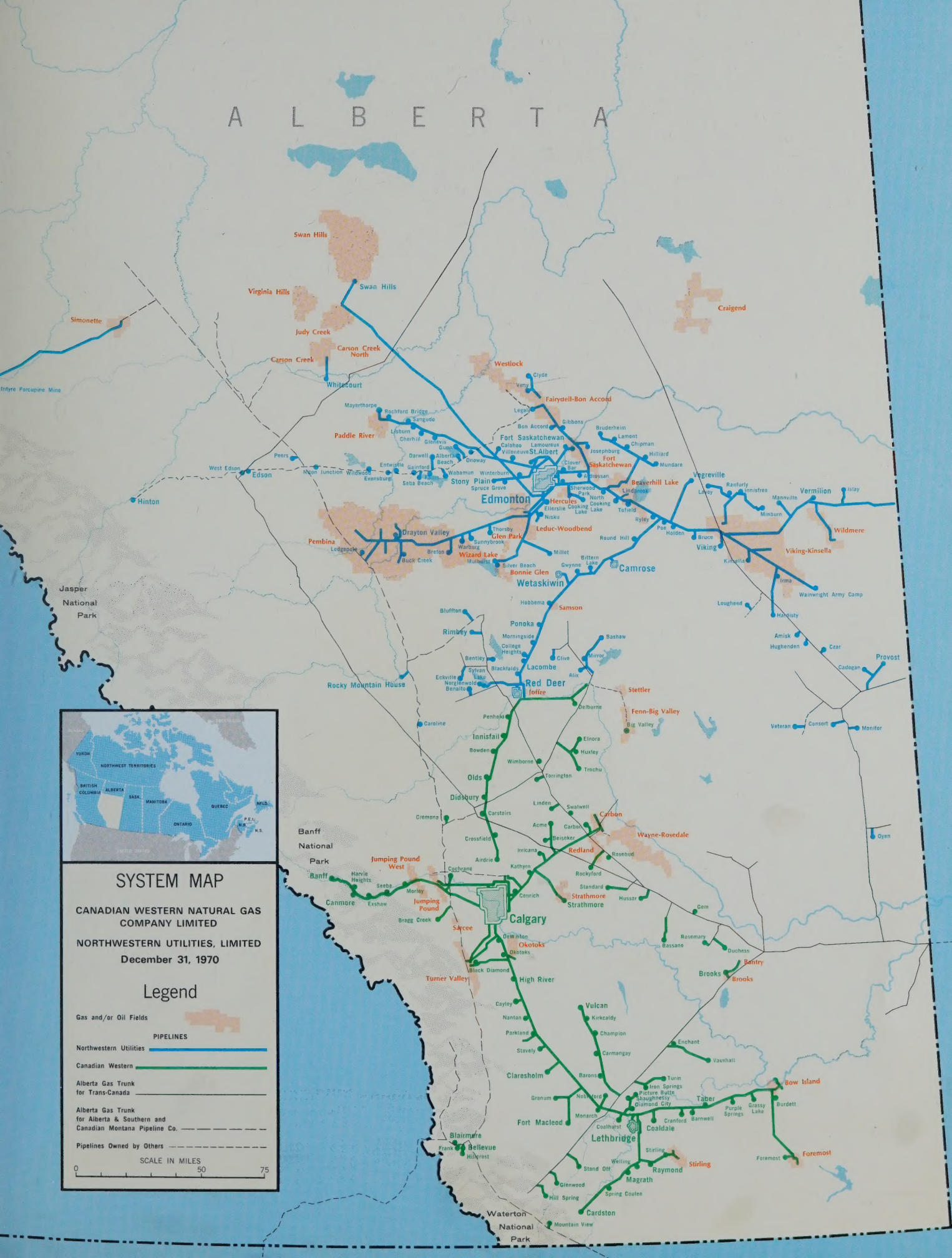
The effect of the reductions in the annual provisions for taxes on income resulting from the use of the methods referred to in the two preceding paragraphs as compared to the annual provisions on a tax allocation basis is that the provisions have been reduced by \$227,740 in 1970 (\$211,373 in 1969). The cumulative amount of deferred tax credits to December 31, 1970 is \$3,529,000 of which \$984,405 has been recorded in the accounts.

6. During 1970 the company was re-assessed for income taxes applicable to the years 1965 to 1969. Accordingly the balance of retained earnings at December 31, 1969 has been restated to reflect the retroactive change of \$352,091 for income taxes settled in 1970. Of this amount \$151,543 is applicable to 1969 and has been reflected as a reduction of income taxes for that year; the balance, \$200,548 is applicable to the years prior to 1969 and has been credited to retained earnings at January 1, 1969.

7. The company, together with certain of its affiliated companies, has in effect a pension plan covering substantially all of its employees. At December 31, 1970, the company's share of the aggregated unfunded past service liability, being amortized over a period of approximately twenty years, amounted to approximately \$904,000.

8. The aggregate remuneration paid by the company to the directors and senior officers of the company during 1970 was \$263,767.

A L B E R T A



SYSTEM MAP

CANADIAN WESTERN NATURAL GAS
COMPANY LIMITED

NORTHWESTERN UTILITIES, LIMITED
December 31, 1970

Legend

Gas and/or Oil Fields

PIPELINES

Northwestern Utilities

Canadian Western

Alberta Gas Trunk
for Trans-Canada

Alberta Gas Trunk
for Alberta & Southern and
Canadian Montana Pipeline Co.

Pipelines Owned by Others

SCALE IN MILES

0 50 75

